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TO AMEMBASSY MADRID IMMEDIATE
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~~EXDIS~~, MADRID FOR UNDER SECRETARY COOPER.

E.O. 12065: GDS 5/6/86 (CALINGAERT, M)

TAGS: EAGR, AR

SUBJECT: SOVIET GRAINS EMBARGO: CHRISTOPHER MEETING WITH
ARGENTINE ECONOMICS MINISTER

1. ARGENTINE ECONOMICS MINISTER MARTINEZ DE HOZ CALLED ON THE ACTING SECRETARY MAY 6 ALSO ATTENDING, IN ADDITION TO STATE OFFICERS, WAS AGRICULTURE UNDER SECRETARY HATHAWAY. ASIDE FROM A BRIEF EXCHANGE AT THE END ABOUT OLYMPIC BOYCOTT, CONVERSATION CENTERED ENTIRELY ON SOVIET GRAINS EMBARGO, A SUBJECT ALSO RAISED WITH MARTINEZ DE HOZ IN SEVERAL OTHER CONVERSATIONS WITH ADMINISTRATION LEADERS.

2. THE ACTING SECRETARY EMPHASIZED OUR SERIOUS VIEW OF THE EMBARGO AND DESCRIBED ITS EFFECTS IN LIMITING GRAIN AVAILABILITY TO THE SOVIET UNION. . HE STRESSED OUR DETER-

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MINATION TO CONTINUE THIS PROGRAM IN THE COMING YEAR AND SPECIFICALLY NOTED REDUCTION IN U.S. EXPORTS TO THE SOVIET UNION FROM INTENDED LEVEL OF 25 MMT TO 8 MMT IN CURRENT CROP YEAR. THE ACTING SECRETARY URGED THAT ARGENTINA

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Department of State, A/GIS/IPS/SRP

Change to _____

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With concurrence of: _____

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AGREE TO PARTICIPATE IN PROGRAM OF COMPARABLE RESTRAINT FOR NEXT YEAR. UNDER SECRETARY HATHAWAY STRESSED CLOSE COOPERATION BETWEEN U.S. AND ARGENTINA, AS WELL AS AMONG ALL MAJOR GRAIN EXPORTERS, DURING LENGTHY WHEAT NEGOTIATIONS IN GENEVA AND URGED CONTINUATION OF THAT COOPERATION ON THIS DIFFICULT ISSUE. HE ALSO NOTED INFLUENCE ON

ARGENTINA, WORLD'S OTHER MAJOR CORN EXPORTER, OF U.S. CORN PROGRAMS.

3. MARTINEZ DE HOZ MADE LENGTHY, NONSPECIFIC RESPONSE. MAIN THEMES WERE: (A) LONG-TERM NATURE OF ARGENTINA'S GROWING TRADE RELATIONSHIP WITH SOVIET UNION, DATING BACK TO EARLY 1970'S, WHICH CENTERED ON GRAINS. IN THIS CONNECTION HE REPORTED THAT BILATERAL GRAINS AGREEMENT HAD BEEN UNDER CONSIDERATION FOR SOME TIME AND WOULD PROBABLY BE CONCLUDED IN COMING MONTHS. (B) ARGENTINA'S CONCERN THAT ALLIED RESPONSE TO SOVIET AGGRESSION IS EXCESSIVELY FOCUSED ON GRAINS, WHICH PLACES ARGENTINA AT DISADVANTAGE BECAUSE OF ITS LARGE AGRICULTURAL SECTOR. (C) ARGENTINA BELONGS TO THE WEST AND SHARES OUR CONCERNS OVER SOVIET EXPANSION.

4. THE ACTING SECRETARY EMPHASIZED THE BROAD SCOPE OF ALLIED RESPONSE TO THE SOVIET INVASION OF AFGHANISTAN, WHICH GOES FAR BEYOND THE GRAINS EMBARGO. HE STRESSED OUR HOPE THAT ARGENTINA WOULD RESTRAIN ITS EXPORTS WITHIN A GLOBAL SYSTEM, FOR EXAMPLE AGREEING TO A REDUCTION FROM A NORMAL LEVEL OF 2.5-3 MMT.

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5. ACTING SECRETARY AND MARTINEZ AGREED THAT WE SHOULD KEEP IN CLOSE TOUCH ON THIS ISSUE, INCLUDING HOLDING TECHNICAL TALKS AND SHARING INFORMATION ON TRADE AND PRODUCTION DEVELOPMENTS, ACTIONS BY OTHER EXPORTERS AND THE EFFECTS OF THE EMBARGO ON THE SOVIET UNION. CHRISTOPHER

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